



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

June 6, 2000

Texaco Exploration and Production, Inc.

P. O. Box 3109

Midland, Texas 79702

Attention: A. Phil Ryan

Administrative Order NSL-4463

Dear Mr. Ryan:

Reference is made to the following: (i) your application dated May 25, 2000; (ii) your telephone conversation with Mr. Michael E. Stogner, Chief Hearing Officer/Engineer with the New Mexico Oil Conservation Division ("Division") in Santa Fe on Tuesday, June 6, 2000; and (iii) the Division's records: all concerning Texaco Exploration and Production, Inc.'s ("Texaco") request for an unorthodox oil well location in the North Teague-Lower Paddock-Blinbry Associated Pool, North Teague-Tubb Associated Pool, North Teague Drinkard-Abo Pool, and North Teague-Wolfcamp Pool, for its proposed R. R. Sims "A" Well No. 9 to be drilled 330 feet from the South line and 1010 feet from the West line (Unit M) of Section 4, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico.

The spacing and well location requirements for the North Teague Drinkard-Abo and North Teague-Wolfcamp Pools are both governed under the provisions of Division Rule 104.B (1), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, which provides for 40-acre oil spacing and proration units and requires wells to be located no closer than 330 feet to the outer boundary of such 40-acre unit nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

The North Teague-Lower Paddock-Blinbry Associated Pool and the North Teague-Tubb Associated Pool are both governed, in part, under the provisions of Rules 2 (a), 2 (b), and 5 (b) of the "*General Rules and Regulations for the Associated Oil and Gas Pools of Northwest New Mexico and Southeast New Mexico/Special Rules and Regulations for the North Teague-Lower Paddock-Blinbry Associated Pool/Special Rules and Regulations for the North Teague-Tubb Associated Pool*", as promulgated by Division Order No. R-5353, as amended, which: (i) provides for oil wells to be developed on 40-acre spacing and proration units comprising a single governmental quarter-quarter section substantially in the form of a square, being a legal subdivision of the United States Public Land Surveys, and for such oil wells to be located no closer than 330 feet to the outer boundary of a spacing unit; (ii) provides for gas wells to be spaced on 160-acre units that consist of a single governmental quarter section, and for wells to be within 150 feet of the center of the quarter-quarter section wherein located; and (iii) prohibits the simultaneous dedication of any acreage to an

oil well with acreage assigned a gas well.

The SW/4 SW/4 (Unit M) of Section 4, being a standard 40-acre oil spacing and proration unit for all four pools is to be dedicated to this well.

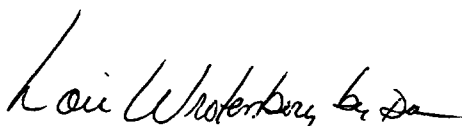
The subject application has been duly filed under the provisions of Division Rule 104.F, as revised, and the applicable provisions of the rules governing both the North Teague-Lower Paddock-Blinebry and North Teague-Tubb Associated Pools.

By the authority granted me under the provisions of: (i) Rule 2 (c) of these special pool rules; and (ii) Division Rule 104.F (2), as revised, the unorthodox gas well location of Texaco's proposed R. R. Sims "A" Well No. 9 to be drilled 330 feet from the South line and 1010 feet from the West line (Unit M) of Section 4 is hereby approved.

Further, the aforementioned R. R. Sims "A" Well No. 9 and proposed 40-acre oil spacing and proration unit will be subject to all existing rules, regulations, policies, and procedures applicable to the: (i) North Teague-Lower Paddock-Blinebry Associated Pool; (ii) North Teague-Tubb Associated Pool; (iii) North Teague Drinkard-Abo Pool; and (iv) North Teague-Wolfcamp Pool.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs